

Message Text

SECRET

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70

ACTION EA-10

INFO OCT-01 ISO-00 SS-15 RSC-01 SSO-00 /027 W

----- 033079

R 192117Z NOV 74

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8895

INFO CINCPAC

S E C R E T SECTION 01 OF 02 WELLINGTON 3621

DEPT FOR EA/ANP PLEASE PASS AMBASSADOR SELDEN

CINCPAC FOR POLAD- PLEASE HOLD FOR AMBASSADOR SELDEN'S
ARRIVAL DECEMBER 4.

EO 11652: GDS

TAGS: OCON, NZ

SUBJECT: CHIEFS OF MISSION CONFERENCE: MATERIAL FOR AMB SELDEN

1. THIS BRIEFING MATERIAL PREPARED FOR YOUR USE AT COM
CONFERENCE FOLLOWS EXPANDED AGENDA TRANSMITTED BY JOHN
HELBLE OCTOBER 11.
2. ITEM IA: NO INPUT THIS SECTION.
3. ITEM IB: ABILITY OF EA NATIONS TO MEET REALISTIC
THREAT: NEW ZEALAND'S ARMED FORCES, TOTALLING ABOUT
TEN THOUSAND, ARE NOT CAPABLE OF MEETING A REALISITC,
DETERMINED THREAT. TOTAL MANPOWER FIT FOR MILITARY
SERVICE IN CASE OF A CALLUP IS ABOUT 550 THOUSAND.
IN A REAL THREAT SITUATION NEW ZEALAND WOULD DEPEND ON
HER ANZUS ALLIES; IN PARTICULAR, THE UNITED STATES.
POLITICALLY NEW ZEALAND WOULD FIND IT EXTREMELY DIFFICULT,
IF NOT IMPOSSIBLE, TO COMMIT COMABT FORCES TO FACE ANY BUT
A DIRECT THREAT TO NEW ZEALAND. IT IS DIFFICULT TO ASSESS
JUST WHAT MIGHT HAPPEN IF COMMUNIST TERRORIST ACTIVITY IN
MALAYSIA HEATED UP TO THE POINT WHERE IT THREATENED INVOLVEMENT
OF NEW ZEALAND FPDA FORCES. THERE WOULD CERTAINLY BE
STRONG PRESSURE TO BRING THEM HOME.

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4. ITEM IB: ATTITUDES OF EA GOVERNMENTS:

NEW ZEALAND KNOWS FULL WELL THAT SHE IS LACKING IN SELF-DEFENSE CAPABILITY BUT IS CONFIDENT THAT THE UNITED STATES WOULD COME TO HER ASSISTANCE IF THE NEED AROSE. BECAUSE OF HER SIZE AND REMOTE LOCATION NEW ZEALAND DOES NOT PERCEIVE A THREAT TO HER SHORES OVER THE NEXT TEN YEARS OR SO. REMOTENESS HAS TENDED TO SOFTEN THE NEW ZEALAND ATTITUDE TOWARD COMMUNIST POWERS, ALTHOUGH THE DUTCH CASE AND THE ALLEGATIONS OF JACK DE SILVA THAT THE PRC WAS SUBVERTING ASIAN STUDENTS ALERTED NEW ZEALANDERS THAT COMMUNISTS ARE AT WORK HERE.

NEW ZEALAND'S VIEW OF A REMOTE THREAT UNDOUBTEDLY AFFECTS HER NEGATIVE ATTITUDE TOWARD NPW VISITS BY US AND BRITISH WARSHIPS. THE EMBASSY BELIEVES, HOWEVER, THAT IN THE CASE OF A REAL THREAT WHICH CALLED INTO PLAY HER ANZUS COMMITMENT, THERE WOULD BE NO QUESTION OF ALLOWING NPW UNITS TO ENTER AND OPERATE FROM NEW ZEALAND PORTS.

5. ITEM IC: NO INPUT THIS SECTION.

6. ITEM ID: AREAS OF POSSIBLE CHANGE; SUPPORT OF NON-EA STRATEGIC REQUIREMENTS FROM EAST ASIA: THE FIVE POWER DEFENSE AGREEMENT (FPDA/ANZUK) PROVIDES SEVENTH FLEET ACCESS TO SINGAPORE DOCK AND REPAIR FACILITIES AS WELL AS RESERVES OF STORES. IT IS THEREFORE IN OUR STRATEGIC INTEREST IN THE INDIAN OCEAN TO ENCOURAGE CONTINUED NEW ZEALAND ACTIVE INVOLVEMENT IN THE FPDA.

7. ITEM ID: AREAS OF POSSIBLE CHANGE; EFFECTS OF DRAWDOWNS IN US FORCE LEVELS IN EA: NEW ZEALAND SEES OUR FORCES IN ASIA AS A STABILIZING FACTOR AS WELL AS EVIDENCE OF OUR CONCERN FOR THE SECURITY OF THE AREA. A DRAWDOWN OF OUR FORCES INDICATING THAT WE SEE A DIMINISHING THREAT WOULD CAUSE NEW ZEALAND TO RE-EXAMINE HER CONTRIBUTION TO THE FPDA AND COULD BRING DOMESTIC PRESSURE TO REDUCE NEW ZEALAND DEFENSE SPENDING.

8. ITEM IIA: CONGRESSIONAL ATTITUDES: SUBJECT OF
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MEMORANDUM TO YOU FOR RESEARCH IN WASHINGTON.

9. ITEM IIB: IMPACT ON OUR RELATIONS OF AID REDUCTIONS: NEW ZEALAND IS PLEDGED TO MEET THE GOAL OF ONE ONE PERCENT OF GNP FOR FOREIGN AID BY 1976. THIS GOAL IS ALREADY COMING UNDER EDITORIAL PRESSURE AS ECONOMIC PROBLEMS GROW IN NEW ZEALAND. US AID REDUCTIONS WOULD INCREASE THE PRESSURE FOR SIMILAR ACTION BY THE GNZ.

10. ITEM IIC: NO INPUT THIS SECTION.

11. ITEM IIIA: US TRADE AND INVESTMENT: US EXPORTS TO NEW ZEALAND WERE \$245 MILLION DURING 1973, UP 120 PERCENT OVER 1971. US DIRECT INVESTMENT IN NEW ZEALAND REACHED APPROXIMATELY \$410 MILLION IN 1972. US EXPORTS CONTINUE GOOD AS THE PRESENT RATE OF EXCHANGE SEES MANY US GOODS COMPETITIVE IN PRICE FOR THE FIRST TIME IN MANY YEARS. THE EMBASSY HAS BEEN WORKING TOWARD A MORE VIGOROUS USG TRADE PROMOTION EFFORT IN COORDINATION WITH THE SYDNEY TRADE CENTER.

ALTHOUGH VARIOUS FACTORS HAVE RESULTED IN A SERIOUS RUN-DOWN OF FOREIGN EXCHANGE RESERVES, THE EMBASSY BELIEVES THERE WILL CONTINUE TO BE SIGNIFICANT EXPORT OPPORTUNITIES FOR SOPHISTICATED US EQUIPMENT. THUS, WHILE IMPORT RESTRICTIONS ON CONSUMER GOODS MAY BE TIGHTENED, NEW ZEALAND'S IMPORT BILL FOR INDUSTRIAL MATERIALS AND MACHINERY WILL VERY LIKELY REMAIN HIGH. OUR OBJECTIVE IS TO CONTINUE TO WORK TOWARD IMPROVING THE US SHARE OF THIS MARKET.

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THERE ARE NO REALLY SERIOUS OBSTACLES TO FOREIGN INVESTMENT IN NEW ZEALAND EXCEPT WHERE INDUSTRIES INVOLVED IN KEY ECONOMIC SECTORS ARE CONCERNED. THE GNZ HAS CREATED AN INVESTMENT SCREENING BOARD TO ENSURE THAT EACH PROPOSAL SUBMITTED BY A POTENTIAL INVESTOR HAS A NEW BENEFIT TO THE COUNTRY'S ECONOMY. EXCEPT FOR PROJECTS IN THE AGRICULTURAL AREA THERE HAS BEEN NO SIGNIFICANT

OPPOSITION TO FOREIGN INVESTMENT IN NEW ZEALAND OR TO THE ACTIVITIES OF MULTINATIONAL CORPORATIONS. THE EMBASSY DOES NOT FORESEE THREAT TO FOREIGN INVESTMENT IN THE NEAR FUTURE.

12. ITEM IIIB: ACCESS TO RERION: NEW ZEALAND PRACTICES IMPORT LICENSING WHICH AFFORDS EFFECTIVE CONTROL OVER THE FLOW OF ABOUT 20 TO 30 PERCENT OF ITS IMPORTED GOODS. BASICALLY A TOOL FOR PROTECTION OF DOMESTIC INDUSTRY, IT CAN ALSO BE EFFECTIVE IN CONTROLLING IMPORTS AS THE NEED ARISES. THE PRESENT SITUATION THE GOVERNMENT IS BECOMING SELECTIVE IN GRANTING IMPORT LICENSES, ALTHOUGH THERE ARE NO INDICATIONS OF ACROSS THE BOARD IMPORT CONTROLS.

THE LABOUR GOVERNMENT IS INCREASINGLY INVOLVED IN AREAS OF ECONOMIC ACTIVITY WHICH HAVE NORMALLY BEEN THE DOMAIN OF PRIVATE ENTERPRISE. EXAMPLES INCLUDE THE DEVELOPMENT FINANCE CORPORATION, THROUGH WHICH THE GOVERNMENT PARTICIPATES DIRECTLY IN THE MANAGEMENT DECISIONS OF THE COMPANIES RECEIVING LOANS FROM THE CORPORATION, AND
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THE GNZ EXPORT-IMPORT CORPORATION, WHICH INTENDS TO PARTICIPATE IN FOREIGN TRADE IN AREAS FORMERLY RESERVED FOR PRIVATE ENTERPRISE. ANOTHER EXAMPLE OF THE LABOUR GOVERNMENT'S INCREASINGLY ACTIVIST APPROACH TOWARD INVOLVEMENT IN FOREIGN TRADE IS THE YEAR OLD GOVERNMENT-OWNED NEW ZEALAND SHIPPING CORP., NOW OPERATING TWO SHIPS IN THE NEW ZEALAND-UK TRADE AND OTHERS IN INTER-ISLAND AND SOUTH PACIFIC TRADE.

WE SEE THE EFFECTS OF SUCH MOVES AS GIVING THE GOVERNMENT CONSIDERABLE POTENTIAL FOR DISPLACING PRIVATE ENTERPRISE IN A NATION ALREADY FAIRLY RECEPTIVE TO THE IDEA OF A CENTRALLY REGULATED ECONOMY AND THE IMAGINED ADVANTAGES OF A WELFARE STATE.

13. ITEM IIIC: PROBLEMS OF SUPPLY: CHANGES IN PETROLEUM PRICES HAVE HAD A PRONOUNCED EFFECT ON THE NEW ZEALAND ECONOMY, ESPECIALLY IN ITS FOREIGN EXCHANGE HOLDINGS, BUT ALSO THROUGH INCREASING COST FACTORS FOR PRODUCTION AND TRANSPORT. GEOTHERMAL AND HYDRO ELECTRIC POWER SUPPLIES, THOUGH SIGNIFICANT, ARE STRAINED TO THEIR LIMITS. PROSPECTS FOR LOCAL DISCOVERY OF SIGNIFICANT PETROLEUM RESOURCES ARE NOT TOO ENCOURAGING, ALTHOUGH SOME COMPANIES ARE UNDERTAKING SERIOUS EXPLORATION. THE BRIGHTEST PART OF THE PICTURE CONCERNS THE EXPLOITATION OF NATURAL GAS WITH CONSIDERABLE QUANTITIES BEING

DEVELOPED IN OFF-SHORE FIELDS. NEW ZEALAND ALSO HAS A WEALTH OF GOOD COAL WHICH CAN BE ECONOMICALLY EXPLOITED. NEW ZEALAND IS A LARGE EXPORTER OF BEEF, SHEEPMEAT AND DAIRY PRODUCTS. ALTHOUGH NOT SELF-SUFFICIENT IN ALL TYPES OF FOOD (E.G. GRAIN) IT CAN SUBSIST FAIRLY WELL ON ITS OWN RESOURCES.

14. IIID. PROSPECTS FOR REGIONAL ECONOMIC INTEGRATION: ALTHOUGH NEW ZEALAND'S ECONOMIC TIES WITH EAST ASIA WILL CONTINUE TO GROW AND THERE IS A SOUND BASIS FOR CONSIDERABLE INCREASED TWO-WAY TRADE AND INVESTMENT, NEW ZEALAND'S GEOGRAPHICAL REMOTENESS FROM OTHER COUNTRIES PRECLUDES ANY SORT OF MEANINGFUL INTEGRATION.

15. IVA. NO INPUT THIS SECTION.

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16. IVB NO INPUT THIS SECTION.

17. IVC. REGIONALISM: THE PRESENT LABOUR GOVERNMENT MANIFESTO INCLUDED A POLICY CALLING FOR INCREASED NEW ZEALAND PARTICIPATION IN ASIAN AND PACIFIC REGIONAL GROUPINGS. THE GNZ QUICKLY LEARNED THAT SOUTHEAST ASIAN NATIONS DID NOT FAVOR EITHER NEW ZEALAND OR AUSTRALIA JOINING ASEAN AND THE GNZ POLICY NOW IS TO STRENGTHEN BILATERAL RELATIONSHIPS IN THE AREA. THERE IS LITTLE PROSPECT THAT NEW ZEALAND WILL BECOME REGIONALLY INTEGRATED WITH EAST ASIANS.

18. IVD. FUTURE POLITICAL PROFILE. IN VIEW OF OUR DIMINISHING RESOURCES WE NEED TO ENCOURAGE THE DEVELOPED NATIONS IN THE AREA TO PLAY A MORE ACTIVE ROLE IN CONTRIBUTING TO THE ECONOMIC AND POLITICAL SECURITY OF THE AREA. NEW ZEALAND, DESPITE HER SIZE, IS RESPECTED IN THE AREA, GIVES A SIGNIFICANT AMOUNT OF FINANCIAL AND TECHNICAL ASSISTANCE IN ASIA AND THE PACIFIC AND, DESPITE SOME DOMESTIC POLITICAL PRESSURE, CONTRIBUTES TO THE FPDA FORCES. WE SHOULD ENCOURAGE NEW ZEALAND TO CONTINUE TO PLAY A ROLE IN THE AREA AND, AS AN ANZUS PARTNER, SHOULD MAINTAIN A POLICY OF CLOSE CONSULTATION WITH THE GNZ ON OUR SECURITY STRATEGY, AID PROGRAMS AND OTHER ACTIVITIES AND INTERESTS IN THE AREA.
KILLGORE

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